



NEWS RELEASE

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FOR IMMEDIATE RELEASE

September 26, 2019

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Tenth District Manufacturing Edged Down in September
Federal Reserve Bank of Kansas City Releases September Manufacturing Survey

KANSAS CITY, Mo. – The Federal Reserve Bank of Kansas City released the September Manufacturing Survey today. According to Chad Wilkerson, vice president and economist at the Federal Reserve Bank of Kansas City, the survey revealed that Tenth District manufacturing activity edged down in September, and expectations for future activity moderated but remained positive.

“Regional factory activity continued to decline in September, though not as much as last month,” said Wilkerson. “Although the employment index dropped further this month, firms as a whole indicated 2019 employment expectations have increased slightly since the beginning of the year.”

A summary of the September survey is attached. Results from past surveys and release dates for future surveys can be found at www.kansascityfed.org/research/indicatorsdata/mfg.

The Federal Reserve Bank of Kansas City serves the Tenth Federal Reserve District, encompassing the western third of Missouri; all of Kansas, Colorado, Nebraska, Oklahoma and Wyoming; and the northern half of New Mexico. As part of the nation’s central bank, the Bank participates in setting national monetary policy, supervising and regulating numerous commercial banks and bank holding companies, and providing financial services to depository institutions. More information is available online at www.kansascityfed.org.

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TENTH DISTRICT MANUFACTURING SUMMARY

Tenth District manufacturing activity edged down in September, and expectations for future activity moderated but remained positive (Chart 1). The month-over-month price index for raw materials continued to fall, while the price index for finished products inched higher. Firms continued to expect prices to rise over the next 6 months, but at a slower pace.

Factory Activity Edged Down in September

The month-over-month composite index was -2 in September, up slightly from -6 in August and similar to -1 in July (Table 1). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. The dip in manufacturing activity was driven by continued declines at durable goods plants, especially from decreases in nonmetallic mineral products, primary metal, computer and electronic products, and transportation equipment manufacturing. While the month-over-month employment index dropped further in September, the production and shipments indexes rebounded considerably. Year-over-year factory indexes were somewhat mixed in September, but the composite index was unchanged at -1. The future composite index remained positive, but slowed from 9 to 5, the lowest future composite index since May 2016.

Special Questions

This month contacts were asked special questions about employment levels and capital spending plans compared with their expectations from early 2019. Nearly 34 percent of regional manufacturing contacts indicated that their number of expected employees for 2019 was higher since the beginning of the year, while 25 percent had lowered expectations for 2019 employment levels (Chart 2). Regarding capital spending, 30 percent of firms have delayed their plans in 2019, and 25 percent have delayed their capital spending plans for 2020 (Chart 3). However, 18 percent of firms have accelerated their 2019 capital spending plans, and more than 11 percent have accelerated their capital spending plans for 2020.

Selected Manufacturing Comments

“The tariffs on the products we export to China have had a major negative effect on our operations.”

“Human capital will continue to be an issue for the foreseeable future and into 2021. We are seeing acquisitions of customers that are jeopardizing our incumbent business. We are not seeing any on-shoring of new customers due to tariffs. We are still seeing off-shoring to Asia and Mexico of our customers.”

“Trade deals are important. 50%+ exports for us is to Mexico and Canada. Election year looks to be slowing decisions for customers already.”

“We have had to delay capital spending due mainly to high tariff taxes that we cannot pass along.”

“Finding quality manufacturing labor has been a challenge. We’ve invested in equipment to use less labor moving forward.”

“Some outsourcing of components to low cost countries impact next year’s employee headcount. We are moving towards assembly only.”

“Very strong orders going into the end of Quarter 3 and start of Quarter 4. We have filled most line positions but continue to look for skilled employees.”

“Our biggest challenge is getting and retaining employees.”

“We are currently struggling to find good young workers to replace our aging workforce.”

“The volume of new orders has declined significantly during 2019 versus 2018. Hopefully, this trend will reverse itself in 2020.”

“Activities have stayed steady but the future is hazy. Our salesforce is redoubling their efforts to capitalize on any and all projects available. We are being very aggressive.”

Table 1. Summary of Tenth District Manufacturing Conditions, September 2019

Plant Level Indicators	September vs. August (percent)*					September vs. Year Ago (percent)*					Expected in Six Months (percent)*				
				Diff	SA				Diff					Diff	SA
	Increase	Change	Decrease	Index [^]	Index ^{^^}	Increase	Change	Decrease	Index [^]		Increase	Change	Decrease	Index [^]	Index ^{^^}
Composite Index				-1	-2				-1					5	5
Production	38	40	23	15	11	35	24	41	-6	37	31	32	5	5	
Volume of shipments	37	40	23	14	9	41	24	35	6	36	35	30	6	5	
Volume of new orders	29	38	33	-5	-3	37	25	38	-1	38	35	27	12	13	
Backlog of orders	15	49	36	-21	-19	23	37	40	-16	21	46	33	-12	-12	
Number of employees	12	65	23	-12	-13	38	30	31	7	35	42	24	11	13	
Average employee workweek	20	70	10	9	10	27	52	21	6	17	62	21	-3	-2	
Prices received for finished product	17	69	14	3	1	49	35	16	33	28	59	13	15	14	
Prices paid for raw materials	15	63	22	-7	-6	53	19	27	26	45	41	14	31	30	
Capital expenditures						44	33	23	22	26	55	19	7	6	
New orders for exports	8	84	9	-1	-2	12	68	20	-8	14	69	17	-2	-2	
Supplier delivery time	8	85	7	1	1	13	77	10	2	10	80	9	1	0	
Inventories: Materials	21	52	28	-7	-5	26	39	34	-8	21	53	26	-5	-8	
Inventories: Finished goods	17	56	27	-10	-9	33	32	35	-1	27	44	28	-1	0	

*Percentage may not add to 100 due to rounding.

[^]Diffusion Index. The diffusion index is calculated as the percentage of total respondents reporting increases minus the percentage reporting declines.

^{^^}Seasonally Adjusted Diffusion Index. The month vs. month and expected-in-six-months diffusion indexes are seasonally adjusted using Census X-12.

Note: The September survey was open for a five-day period from September 18-23, 2019 and included 89 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Chart 1. Manufacturing Composite Index vs. a Month Ago

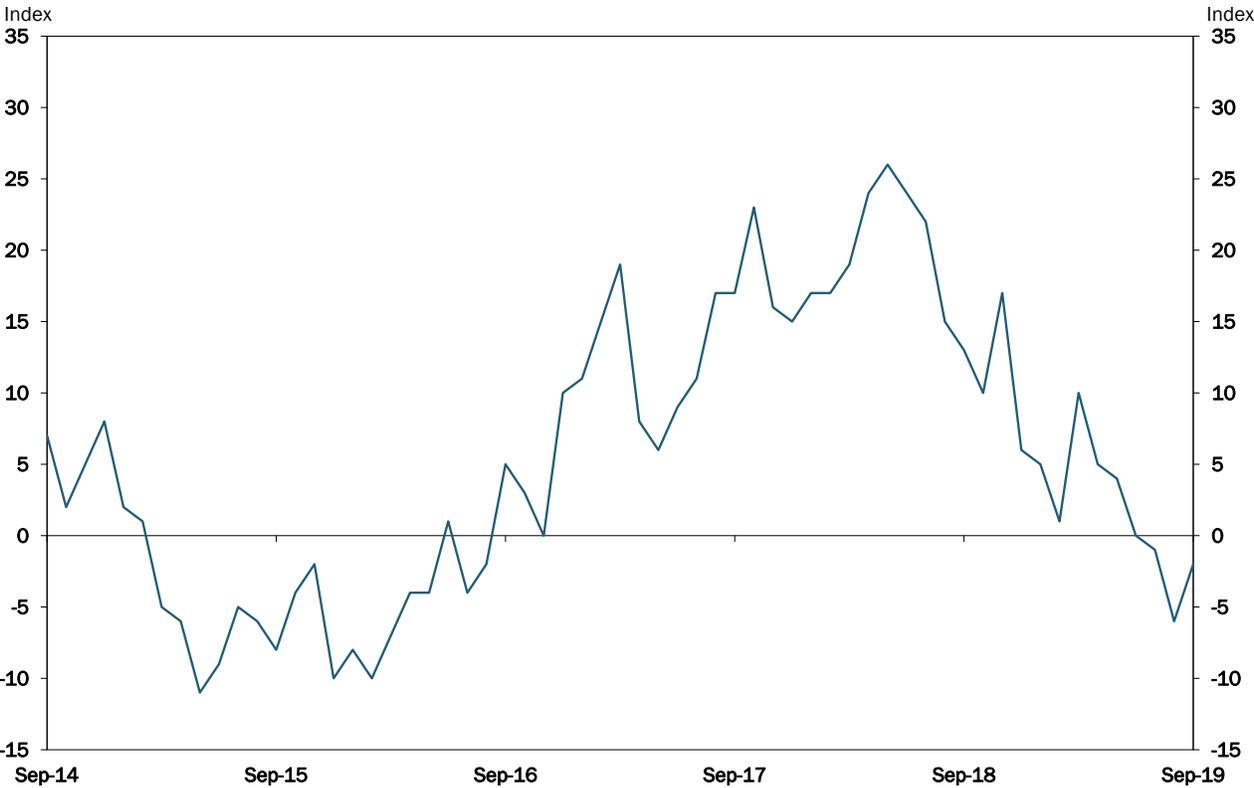


Chart 2. Special Question: Has your number of expected employees for 2019 changed since the beginning of the year?

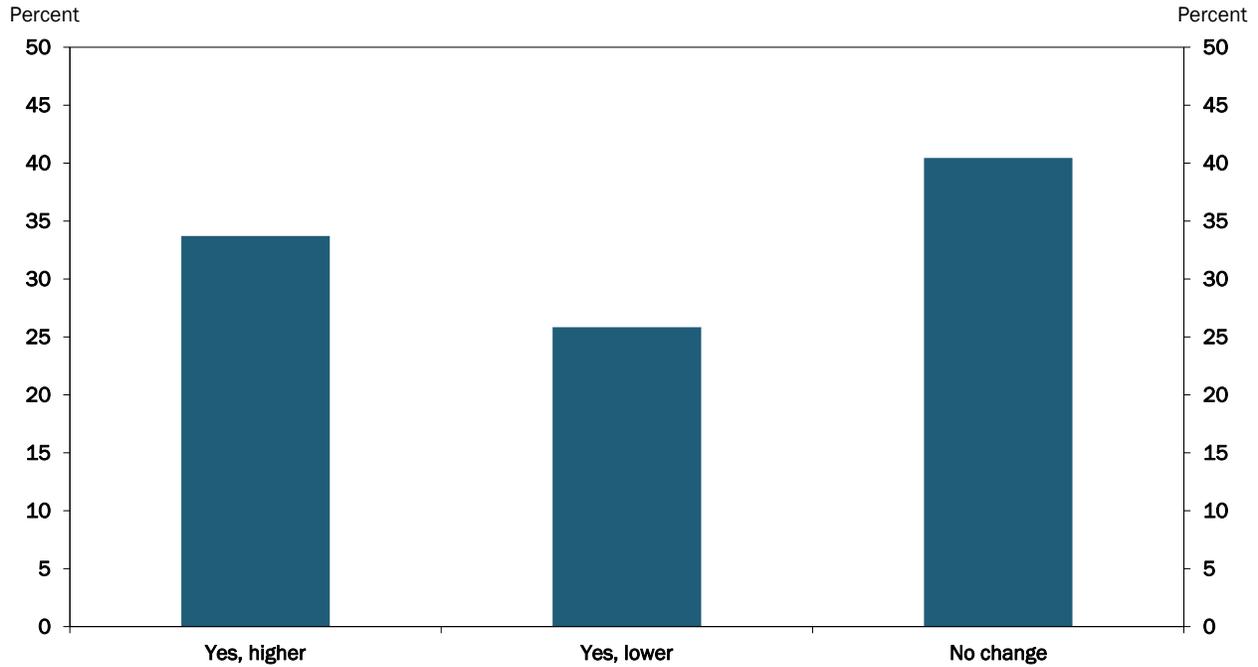


Chart 3. Special Question: How have your firm's capital spending plans changed?

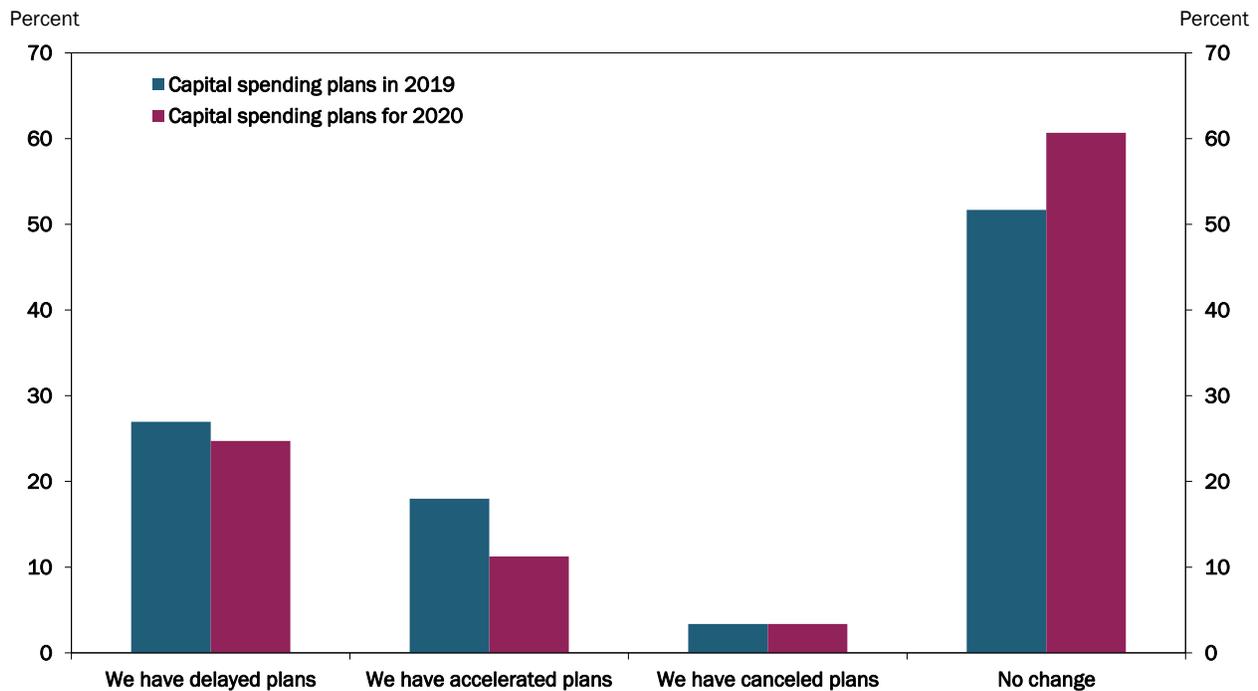


Table 2
Historical Manufacturing Survey Indexes

	Sep'18	Oct'18	Nov'18	Dec'18	Jan'19	Feb'19	Mar'19	Apr'19	May'19	Jun'19	Jul'19	Aug'19	Sep'19
Versus a Month Ago (seasonally adjusted)													
Composite Index	13	10	17	6	5	1	10	5	4	0	-1	-6	-2
Production	12	8	27	-13	2	-4	17	12	2	-3	-6	-2	11
Volume of shipments	2	14	33	3	6	-14	14	9	-2	-7	0	-7	9
Volume of new orders	13	9	22	7	1	-10	4	10	4	5	-2	-16	-3
Backlog of orders	7	7	19	9	-13	-18	9	-5	-5	-7	-13	-19	-19
Number of employees	3	10	9	10	7	10	14	2	5	5	-6	-7	-13
Average employee workweek	4	5	5	3	7	0	14	14	2	0	-4	7	10
Prices received for finished product	23	20	26	8	23	18	7	10	15	3	2	-3	1
Prices paid for raw materials	44	37	45	34	23	19	15	15	13	9	15	-2	-6
Capital expenditures	n/a												
New orders for exports	2	2	5	-6	-10	-2	5	8	6	-4	-6	0	-2
Supplier delivery time	17	9	10	7	14	10	8	6	9	-3	6	-6	1
Inventories: Materials	18	11	14	19	4	-2	9	-4	0	-3	1	3	-5
Inventories: Finished goods	10	8	11	12	8	4	0	2	8	6	-1	-6	-9
Versus a Year Ago (not seasonally adjusted)													
Composite Index	41	45	40	38	31	23	27	22	23	4	11	-1	-1
Production	44	54	39	35	26	13	29	24	28	-7	8	-1	-6
Volume of shipments	42	50	47	39	19	10	29	16	21	-3	5	3	6
Volume of new orders	46	57	46	37	28	15	25	23	16	-12	1	-16	-1
Backlog of orders	41	40	34	35	19	16	11	9	17	-8	-7	-12	-16
Number of employees	36	49	49	46	38	44	34	28	26	20	14	8	7
Average employee workweek	24	30	30	31	19	4	12	6	-1	-1	4	-3	6
Prices received for finished product	56	60	61	56	53	52	53	59	53	52	56	41	33
Prices paid for raw materials	79	78	75	79	69	73	64	76	60	46	56	33	26
Capital expenditures	47	30	48	43	26	11	15	19	24	7	25	19	22
New orders for exports	11	11	20	10	-4	-6	10	1	11	7	-3	-3	-8
Supplier delivery time	35	27	23	26	25	19	14	18	21	1	18	3	2
Inventories: Materials	45	37	42	49	36	24	35	18	25	17	12	4	-8
Inventories: Finished goods	31	21	33	34	27	14	27	24	25	18	21	1	-1
Expected in Six Months (seasonally adjusted)													
Composite Index	27	21	18	22	18	13	22	11	12	11	9	11	5
Production	37	37	28	24	33	18	28	14	20	22	23	23	5
Volume of shipments	34	34	27	25	30	15	33	14	23	23	17	20	5
Volume of new orders	35	35	26	23	25	13	29	12	12	16	17	11	13
Backlog of orders	18	25	10	7	17	4	17	4	-3	11	-6	4	-12
Number of employees	29	16	23	37	22	28	34	19	23	11	5	7	13
Average employee workweek	14	9	13	17	10	5	13	-5	1	-3	-5	4	-2
Prices received for finished product	43	39	30	41	40	34	39	35	36	31	18	20	14
Prices paid for raw materials	57	43	42	50	49	43	45	48	52	36	37	35	30
Capital expenditures	35	16	26	33	33	12	31	23	27	11	14	12	6
New orders for exports	14	9	20	9	-4	-3	6	4	4	4	-6	6	-2
Supplier delivery time	18	13	9	17	13	12	15	8	8	-1	4	4	0
Inventories: Materials	15	5	6	7	-2	-4	7	3	-2	4	-2	11	-8
Inventories: Finished goods	9	-4	8	9	-5	2	6	-3	-1	-2	-13	4	0